

# INSTRUCTIONS for YOUR 1999 INSURANCE COMPANY ANNUAL RETURN FOR SBT AND RETALIATORY TAX (form 1366 (formerly C-8463))

## General Information

**New:** Public Act 115 of 1999 reduces the SBT tax rate by 0.1 percent per year beginning January 1, 1999. The rate reduction will go into effect each year if the State's Budget Stabilization Fund balance for the previous year exceeds \$250 million. The reduction will be reflected in the effective tax rate used on form 1366, line 16.

### Michigan Catastrophic Claims

**Association (MCCA) Refunds:** The refund of MCCA premiums subsequently refunded to policyholders in 1999 may reduce gross receipts subject to the Single Business Tax (SBT) if the amounts were previously included in adjusted gross premiums subject to SBT.

To the extent the insurer included the assessment for catastrophic coverage in gross receipts for the SBT computation, the amount refunded to policyholders from the MCCA may be deducted from adjusted receipts in 1999. The amount may also reduce gross direct premiums, both Michigan and everywhere, for the computation of the apportionment percentage.

However, insurers who included an SBT component in the amount of the premium they charged their policyholders may not reduce adjusted receipts by the MCCA refund unless they refund the SBT component to policyholders or net the SBT component against future premiums.

Revenue Administrative Bulletin (RAB) 1998-6, *The Effect of Michigan Catastrophic Claims Association Refunds on the Single Business Tax Base of Motor Vehicle Insurers*, describes the Single Business Tax treatment of refunds from the Michigan Catastrophic Claims Association (MCCA) to motor vehicle insurers made in 1998. This R.A.B. is available on the Michigan Department of Treasury web site at [www.treasury.state.mi.us](http://www.treasury.state.mi.us) or by calling 1-800-FORM-2-ME (1-800-367-6263).

### When is this return due?

March 1, 2000.

### Who must file this return?

All insurance companies must file this return.

If your apportioned or allocated gross receipts are less than \$250,000, then you do not have to complete the SBT portion of this return. Foreign or alien insurers whose gross

receipts are less than \$250,000 must still complete the retaliatory section of the return (lines 28-42).

All insurers, domestic and foreign, must submit copies of *Schedule T* and the *Michigan Business Page* when filing this return.

### Who must sign the return?

All returns must be signed and dated by the taxpayer or the taxpayer's authorized agent. If someone else has prepared the return, the preparer must also sign it and give his or her business address and telephone number in the space provided.

### Can I round figures?

Report all amounts in whole dollars. Round amounts of 50 cents or more up. Carry all percentages to six decimal places. Do not round percentages. For example, 24.154256 percent becomes 24.1542 (.241542).

### Do I have to file estimated tax returns?

You must pay estimates in any year that you expect your annual tax liability to be more than \$600. Estimates must equal at least 85 percent of your current year tax liability, or equal your tax liability for the previous year, if your tax was less than \$20,000, provided these payments were made in 4 timely equal payments. If they were not, you will be charged penalty and interest. Quarterly estimate payments are due on April 30, July 31, Oct. 31 and Jan. 31.

### How do I compute penalty and interest?

Returns filed late or without payment are subject to 5 percent penalty per month to a maximum of 50 percent of the tax. Interest is charged at 1 percent above prime rate from the due date of the return. This applies to annual and estimated returns.

### Need Forms?

If you need additional forms, you may order them by calling 1-800-FORM-2-ME (367-6263). Forms are also available on the Michigan Department of Treasury web site at:

[www.treasury.state.mi.us](http://www.treasury.state.mi.us)

### Who do I call if I have a question?

If you have general questions, please call the Single Business Tax Division at (517) 373-8030.

## SBT Instructions

Lines not listed are explained on the form.

**Line 2:** Enter your federal employer identification number (FEIN) or your Treasury assigned (TR) number. If you don't have an account number, one will be assigned to you. Please make sure this number appears on all documents sent to Treasury.

**Line 3:** Check a box to indicate your company's status. Alien insurance companies check "foreign," unless your port of entry is Michigan, then you are considered "domestic" for the filing of this return.

### Adjusted Receipts

**Line 5:** Enter the amount of total company adjusted receipts **excluding the MCCA refund** if applicable (see General Information) for the period.

### Gross Receipts Checklist

1. Rental and royalty receipts (unless received from an affiliated insurance company or an insurance agent for your company).
2. Gross direct premiums received.
3. Receipts from administrative services only (ASO) contracts with a person who is not an affiliated insurance company or an affiliated nonprofit corporation.
4. Receipts from a business activity other than the business of insurance.
5. Charges attributable to premiums paid on a deferred or installment basis.
6. Servicing carrier fees received from the Michigan auto insurance placement facility.

### Excluded Receipts

1. Receipts from interest, dividends, or proceeds from the sale of assets.
2. Receipts on the sale of annuities.
3. Receipts on all reinsurance transactions.
4. Any income which is a flow through from a partnership or other entity whose business activities would be taxable under the Single Business Tax Act.

### Apportionment

**Line 6:** Enter your Michigan gross direct premiums received excluding annuity considerations, reinsurance assumed and the **MCCA refund** if applicable (see General Information).

**Line 7:** Enter your total gross direct premiums received everywhere excluding annuity considerations, reinsurance assumed and the **MCCA refund** if applicable (see General Information).

#### **Disability Insurance Exemption**

**Line 12:** You must subtract \$180,000,000 from the amount you entered on line 11. If the result is less than zero, enter zero on line 12.

#### **Credits**

This year the credit percentage has changed to 45.53%.

**Line 17:** Enter the amounts you paid to the listed facilities or associations from 1/1/98 to 12/31/98, the year immediately preceding the 1999 tax year, including special assessments. Net amounts paid and refunds received during the 1998 tax year for the same facility. If refunds received exceed the amount paid in the year for the same facility, enter zero.

**Line 19:** Multiply line 18 by 45.53% (.4553) and enter the results here.

**Line 20:** Enter the amount of Michigan regulatory fees you paid in 1999 (under MCL 500.224). Multiply this amount by 50 percent and enter the result on line 20.

**Line 22:** Subtract line 21 from line 16. If line 21 is greater than line 16, enter zero. The credit on line 21 may not be carried forward to another taxable year.

**Line 23, Community Foundation Credit:** To be eligible for this credit, you must have donated to a Michigan foundation that has been certified by the Michigan Department of Treasury. For a complete list of certified foundations, request *Revenue Administrative Bulletin 1999-7*. The credit is limited to the smallest of 50 percent of the contribution, 5 percent of tax on line 16, or \$5,000.

**Line 25, Public Colleges and Libraries Contribution Credit.** A partial credit is allowed for contributions made during the taxable year to Michigan colleges and universities (including fund-raising agencies under their control), the Michigan colleges foundation, public libraries, and public broadcasting stations located in Michigan. Receipts from the institutions must be attached. The credit is limited to the smallest of 50 percent of the contribution, 5 percent of tax on line 24, or \$5,000.

#### **Retaliatory Instructions (for foreign and alien insurers only; domestic insurers skip lines 27-42)**

You must include with your return a copy of the State of Incorporation tax form on which you reported Michigan premiums.

**Do not mail this return with your Michigan annual financial statement,** and do not send your annual statement filing fee with this return. You will be billed separately for the annual statement filing fee from the Michigan Insurance Bureau.

You must enter all items that are required of a Michigan insurance company. In some instances, there will be taxes and obligations imposed in other states for which Michigan has no corresponding requirement. Because of the manner of this calculation, you may have difficulty completing these items on a Michigan basis. Nonetheless, difficulty of calculation does not excuse a foreign insurer from paying to Michigan the same type of obligation a similar Michigan insurer is required to pay in the insurer's state of domicile.

Do not include the following Michigan assessments (or comparable assessments in your state of incorporation) in the retaliatory calculation:

The Michigan Workers' Compensation Placement Facility.

The Michigan Basic Property Insurance Association.

The Catastrophic Claims Association.

The Michigan Auto Insurance Placement Facility.

The Michigan Life and Health Insurance Guaranty Association.

The Property and Casualty Guaranty Association.

California insurers must include Bureau of Fraudulent Claims assessments. New York domiciled companies **must file** and pay a tentative retaliatory tax to Michigan by the annual due date (March 1, 2000). An **amended** return must be filed 30 days after the actual CT33 return is filed with New York. Do not submit a photocopy of the actual CT33 return. We cannot process them and will return them to you. Transfer the CT33 numbers onto your amended annual return (form 1366 (formerly C-8463)).

#### **Instructions for lines 27 - 43.**

In the Michigan column, enter actual payments made to Michigan. In the State of Incorporation column, enter the payments

that would have been payable by a similar Michigan company doing business in your company's home state.

**Line 28:** Enter the tax a Michigan company would pay in your state of incorporation for your company's Michigan business. Attach a copy of your state's tax form on which you reported Michigan premiums.

**Lines 36 - 40:** Attach proof of payment for any items listed in the Michigan column. Itemize any other assessments not listed. Attach a separate list if necessary.

**Line 42:** Subtract line 41 column B from line 41 column A. This amount can't be less than zero. If line 41 column B is a negative number, add column A to the negative number in column B. This will increase the retaliatory amount reported.

#### **Payments**

**Line 45:** Enter the total tax paid with your quarterly tax returns.

**Line 46:** Enter any tentative payment of estimated tax made with a request for more time to file the return.

**Line 47: Workers' Disability Supplemental Benefit (WDSB) Credit:** This credit can be claimed by both foreign and domestic insurers. You may only include amounts authorized by the Department of Consumer and Industry Services during this tax year. The authorized amount and date authorized are on form LW06401-Z04. For more information on WDSB eligibility, call the Department of Consumer and Industry Services, Bureau of Workers' Disability Compensation at (517) 322-1879.

**Line 51 and 52: Penalty and Interest:** See "How do I compute penalty and interest" under General Information on opposite side.

#### **Mailing instructions**

Make your payment payable to "State of Michigan." Write your FEIN on your remittance and mail your return with payment, if applicable to:

**Michigan Department of Treasury  
Dept. 77229  
Detroit, MI 48277-0229**

If you owe no tax or expect a refund, mail your return to:

**Michigan Department of Treasury  
P.O. Box 30059  
Lansing, MI 48909**